

Message Text

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C O N F I D E N T I A L OECD PARIS 30372

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FOR SECRETARY FROM ENDERS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: HOUSE/SENATE CONFERENCE BILL ON ENERGY

1. AS YOU KNOW, THE PRESIDENT IS CONSIDERING WHETHER
OR NOT TO SIGN THE CONFERENCE BILL.

2. PENDING REVIEW OF THE FINAL TEXT, I STRONGLY RECO-
MMEND THAT YOU ADVISE HIM TO SIGN. I UNDERSTAND THAT
OMB AND MAYBE TREASURY ARE RECOMMENDING AGAINST
SIGNATURE. ZARB AND SEIDMAN ARE FOR. YOUR VOTE COULD
BE DECIDING.

3. BILL CONTAINS MIX OF VERY GOOD AND VERY BAD FEATURES.
GOOD FEATURES INCLUDE: MASSIVE STOCKPILING AUTHORITY,
AUTHORITIES NEEDED TO IMPLEMENT THE OIL SHARING AGREE-
MENT AND OTHERWISE ADHERE TO IEP, EXCELLENT LONG-RANGE
CONSERVATION AUTHORITIES FOR VEHICLE AND APPLIANCE
EFFICIENCY, FULL DECONTROL OF OIL PRICES AT END OF 40
MONTHS. THE BAD FEATURE IS THE ROLLOVER OF DOMESTIC
PRICES (FROM A COMPOSITE OF \$8.75 WITH THE IMPORT
FEES OR \$8.35 WITHOUT, TO \$7.66), TO BE FOLLOWED BY A
RATHER LOW ANNUAL ESCALATION (NOT MORE THAN 11 PERCENT
A YEAR).

4. EFFECT WOULD BE TO CHANGE TIME PATH OF REDUCED
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DEPENDENCY EFFORT. WE WOULD HAVE ONLY A SMALL PROGRAM

(INCLUDING ELK HILLS PRODUCTION) OF 250,000 BARRELS A DAY IN 1976 AS AGAINST OUR GOAL OF OVER A MILLION. ON THE OTHER HAND WE GET A LARGE SWING ON 1980 AND A 4 TO 5 MILLION BARREL A DAY IMPROVEMENT IN 1985.

5. ON BALANCE, I THINK THE PRESIDENT CAN ACCEPT THIS OUTCOME, FOR THE FOLLOWING REASONS:

(A) WE CAN'T BREAK THE CARTEL ANYWAY IN THE NEXT THREE YEARS BUT CONSERVATION CAN SLOW GROWTH.

(B) SUDDEN DECONTROL (THE ALTERNATIVE OF LETTING PRICE CONTROLS EXPIRE) COULD DAMAGE THE RECOVERY AND WOULD CREATE SUCH A SITUATION OF CONFRONTATION BETWEEN CONGRESS AND THE EXECUTIVE WHICH COULD RESULT IN NO REPEAT NO ENERGY LEGISLATION BEING PASSED UNTIL 1977.

(C) CHANCES OF DOING BETTER IN ENERGY WITH THE CONGRESS ARE SMALL.

(D) EUROPEAN AND JAPANESE (TO JUDGE FROM CONSULTATIONS IN IEA, WOULD PREFER TO HAVE A GOOD LONG-TERM PROGRAM THAN TO RELY ON A PRESIDENTIAL VETO.

(E) VETO COULD CAUSE CONGRESS TO STRIKE BACK AT LONG-TERM PROGRAM, WHICH IS NOW WITHIN OUR GRASP FOR CONCLUSION IN DECEMBER WITH AN MSP OF \$6 TO \$8 FOB PERSIAN GULF, OR \$7 TO \$9.50 LANDED ON U.S. EAST COAST.

6. ONE POSSIBLE WAY TO HARDEN THIS BILL IS FOR THE PRESIDENT TO LEAVE ON ALL OR PART OF THE IMPORT FEES, AS THE BILL NOW PERMITS HIM TO. THAT WOULD ADD ABOUT 40 CENTS TO THE BASE PRICE AND HELP ON CONSERVATION. THERE ARE TWO POLITICAL DIFFICULTIES: (A) SINCE AUGUST, PRESIDENTIAL REPS HAVE BEEN SAYING HE WOULD REMOVE FEES IN CONTEXT OF ACCEPTABLE BILL, AND (B) SUPREME COURT IS NOW CONSIDERING LEGALITY OFFEES. (L THINKS WE WILL WIN, BUT FEA ESTIMATES ODDS AT 50/50); COURT REMOVAL OF THE FEES IN THE MIDST OF AN ELECTION YEAR COULD BE EMBARRASSING.

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7. RECOMMENDATION: THAT YOU ADVISE THE PRESIDENT TO ACCEPT THE CONFERENCE BILL, PROVIDED DRAFTING DOES NOT CHANGE PRESENT AGREEMENT, AND WITH THE PROPOSAL TO LEAVE SOME PART OF THE IMPORT FEES ON.
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